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ABSTRACT

Concerns have been raised that adult undergraduates, those 24 and older, receive inadequate assistance in meeting the costs of postsecondary education, especially those who take one to five credits per term, or less than halftime. Less-than-halftime students are not eligible for the Stafford loan programs and are eligible to receive only one of the two federal higher education tax credits. In response to a Congressional inquiry, the U.S. General Accounting Office (GAO) was asked to identify the extent to which adults enroll less than halftime, the extent to which such students receive federal, state, and other assistance, and the implications of changing the Pell Grant Program to allow less-than-halftime students to count room and board costs and personal expenses in their applications for financial aid and changing the Stafford loan programs to allow their participation. GAO found that in the 1999-2000 school year, 2.3 million adults enrolled in undergraduate education on a less-than-halftime basis. Three of four such students expect to complete a degree or certificate program, but most leave school without completing one. About 70% of less-than-halftime students received some assistance, about 44% of their schooling costs, typically from sources other than state and federal aid. The GAO estimated, using data from various sources, that proposed changes to the Pell Grant system would cost the federal government a minimum of $25 million for the 2003-2004 school year. Allowing less-than-halftime students to participate in Stafford loans would cost about $113 million per year. College administrators expressed reservations about expanding Stafford Loan eligibility because of concerns about increasing default rates. Costs of expanding these programs may outweigh their potential benefits. Five appendixes contain supplemental and background information. (Contains 32 tables.) (SLD)

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Report to Congressional Requesters

September 2003

ED 482 222

FEDERAL STUDENT AID

Expanding Eligibility for Less Than Halftime Students Could Increase Program Costs, but Benefits Uncertain

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Highlights

Highlights of GAO-03-905, a report to the Chairman, Committee on Education and the Workforce, and Chairman, Subcommittee on 21st Century Competitiveness, Committee on Education and the Workforce, House of Representatives

Why GAO Did This Study

Despite the availability of federal, state, and other sources of student aid, concerns have been raised that adult undergraduates—those 24 and older—receive inadequate assistance in meeting the costs of postsecondary education, particularly those adults who take one to five credits per term (or less than halftime). These concerns have been raised because less-than-halftime adult students are unable to participate in the largest federal student loan programs, the Stafford Loan programs, and they are eligible to receive only one of the two federal higher education tax credits, the Lifetime Learning tax credit.

To better understand the needs of these adult students, GAO was asked to identify (1) the extent to which adults enroll less than halftime, the characteristics and factors associated with less-than-halftime enrollment, and the rates of completion among these students; (2) the extent to which adult students enrolled less than halftime receive federal, state, and other assistance to help them meet the cost of postsecondary education; and (3) the implications, including the budgetary impact, of changing the Pell Grant Program to allow less-than-halftime students to count room and board costs and personal expenses in their application for federal financial aid, and changing the Stafford loan programs to permit participation by less-than-halftime students.

www.gao.gov/cgi-bin/getrpt?GAO-03-905.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cornelia Ashby at (202) 512-8403 or ashbyc@gao.gov.

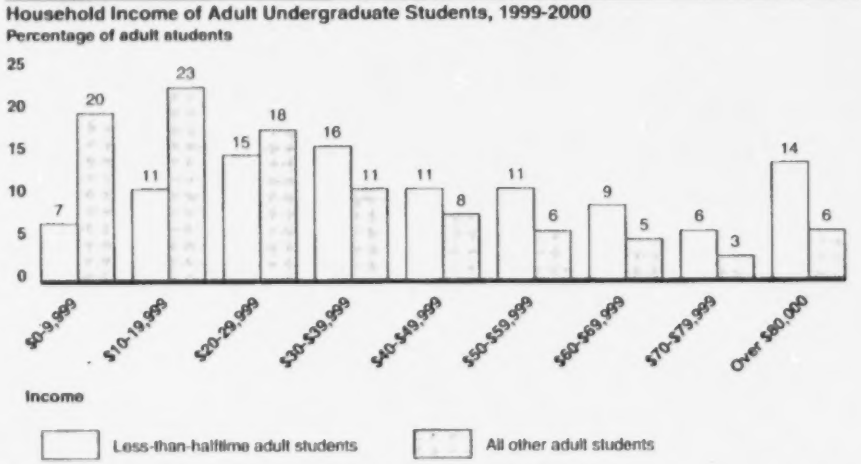
FEDERAL STUDENT AID

Expanding Eligibility for Less Than Halftime Students Could Increase Program Costs, But Benefits Uncertain

What GAO Found

In the 1999-2000 school year, 2.3 million adults enrolled in undergraduate education on a less-than-halftime basis, many seeking to balance school with other responsibilities. Compared with other adult students, the typical less-than-halftime adult student was more likely to work fulltime, be married, and have a household income over $30,000. Though 3 out of 4 less-than-halftime adult students expect to complete a degree or certificate program when they begin their education, most leave school without completing one.

Household Income of Adult Undergraduate Students, 1999-2000



Source: GAO calculations from National Postsecondary Student Aid Study, 1999-2000.

About 70 percent of less-than-halftime adult students received some assistance—about 44 percent of their schooling costs—typically from sources other than federal or state student aid. The sources of assistance they received varied by household income: lower-income adult students enrolled less than halftime relied primarily upon student financial aid in meeting school costs, while higher-income households were assisted primarily by work-related sources such as the Lifetime Learning tax credit or employer assistance.

We estimate that proposed changes to the Pell Grant programs would cost the federal government a minimum of $25 million for the 2003-2004 school year. Allowing less-than-halftime students to participate in the Stafford Loan programs would cost about $113 million per year. College administrators expressed reservations about expanding Stafford Loan eligibility due to concerns about increasing default rates.

In commenting on our draft report, Education noted that they found it to be thorough and useful.

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Abbreviations

BPS	Beginning Postsecondary Students Longitudinal Study
COA	cost of attendance
EFC	expected family contribution
FAFSA	Free Application for Federal Student Aid
FDLP	Federal Direct Loan Program
FFELP	Federal Family Education Loan Program
FSA	Federal Student Aid
GED	General Educational Development
NCES	National Center for Education Statistics
NPSAS	National Postsecondary Student Aid Study
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
TANF	Temporary Assistance to Needy Families
WIA	Workforce Investment Act

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United States General Accounting Office
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September 10, 2003

The Honorable John A. Boehner
Chairman, Committee on Education and the Workforce
House of Representatives

The Honorable Howard P. "Buck" McKeon
Chairman, Subcommittee on 21st Century Competitiveness
Committee on Education and the Workforce
House of Representatives

To help them meet the costs of higher education, the nation's postsecondary students received approximately $85 billion in grant and loan assistance from federal student aid programs, state student aid programs, and postsecondary institutions in academic year 2001-2002. Additional assistance in meeting the costs of postsecondary education was available from work-related sources of support, such as the Lifetime Learning tax credit and employer assistance. Despite these sources of assistance, some suggest that nontraditional students—particularly adult students—receive inadequate support to help them meet the costs of undergraduate postsecondary education. There is particular concern about low-income adult students, who may be enrolled with the hope of improving their prospects for higher wages and career advancement.

Advocates for adult students note that many adults enroll on a less-than-halftime basis and are consequently disadvantaged in obtaining financial support. For example, less-than-halftime students, those taking one to five credits, are not eligible to participate in the federal Stafford student loan programs.[1] Moreover, though they are eligible to participate in the largest federal student grant program, the Pell Grant program, no allowances are made for their room, board, and miscellaneous personal expenses in the calculation of grant amounts, as is done for students enrolled halftime or more. Furthermore, less-than-halftime students who are tax filers may reduce their federal income tax liability through the use of the Lifetime Learning tax credit, but they are ineligible to claim the other federal higher education tax credit, the HOPE credit. And, although less-than-halftime

[1]Stafford loans are offered under the Federal Family Education Loan Program and the William D. Ford Direct Loan Program.

students are eligible to participate in the federal campus-based aid programs—Supplemental Educational Opportunity grants, Perkins loans, and federal work-study aid—the institutions they most often attend receive a small share of these funds. Finally, advocates suggest, the Workforce Investment Act (WIA) of 1998 and the Temporary Assistance to Needy Families (TANF) program authorized by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 chiefly focus on immediate employment or short-term training and, therefore, provide little assistance to adults who seek to obtain a postsecondary credential.

In preparation for the upcoming reauthorization of the Higher Education Act of 1965, you asked us to examine issues concerning adult students, which, for the purposes of this report, are those who are 24 years or older. In particular, you asked us to determine (1) the extent to which adults enroll less than halftime, the characteristics and factors associated with less-than-halftime enrollment, and the rates of completion among these students; (2) the extent to which adult students enrolled less than halftime receive federal, state, and other assistance to help them meet the costs of postsecondary education; and (3) the implications, including the budgetary impact, of changing the Pell Grant program to allow room and board and miscellaneous personal expenses to be considered in the calculation of grant amounts for less-than-halftime students, and changing the Stafford loan programs to permit participation by less-than-halftime students.

To answer question one, we analyzed two datasets created by the Department of Education's National Center for Education Statistics: the 1999-2000 National Postsecondary Student Aid Study (NPSAS), and the 2001 Beginning Postsecondary Students Longitudinal Study (BPS). The two datasets contain a nationally representative sample of students enrolled at postsecondary institutions participating in federal student aid programs and provide information on financial assistance they received, hours they worked, and a wide range of other characteristics. We also interviewed administrators of 19 postsecondary institutions, 18 of which we visited. These included both public and private institutions and 2-year and 4-year institutions located in four states: California, Maryland, Ohio, and Virginia. We met with a range of administrators at these institutions. We discussed with them the factors associated with less-than-halftime enrollment among adult students, and from 10 of these institutions we obtained data on less-than-halftime enrollment and completion among adult students. To answer question two, we analyzed data from the NPSAS, surveyed states about financial aid for less-than-halftime students,

and interviewed postsecondary administrators. To answer question three, we reviewed the Federal Student Aid Handbook, and used data from NPSAS. Education officials provided us with information on federal subsidy rates for Stafford loans and reviewed our estimation methodology. Appendix I provides details on the study's scope and methodology. Because NPSAS and BPS are samples, there is sampling error associated with estimates obtained from them. These sampling errors are reported in appendix II. We did our work from October 2002 to August 2003 in accordance with generally accepted government auditing standards.

Results In Brief

In school year 1999-2000, most of the nation's 2.3 million adult undergraduates who enrolled less than halftime were fulltime workers needing to balance the demands of school with other responsibilities, and few who aimed to complete a certificate or degree could be expected to do so. Compared with other adult students, those enrolled less than halftime had higher family incomes, were more often full-time workers, and more likely to be married. Adults enrolled on a less-than-halftime basis chiefly attended 2-year public institutions and often used less-than-halftime enrollment to balance school, work, and family. Less-than-halftime enrollment may have also enabled adults to address other challenges they faced, including financial constraints, scheduling conflicts, and limited readiness for postsecondary education. For example, during site visits to postsecondary institutions, administrators said that adults who have been away from school find the prospect of returning to school intimidating, both socially and academically, and less-than-halftime enrollment may allow adult students to take the steps necessary to adjust to academic life. National data indicate that while most adults who enrolled on a less-than-halftime basis during their first year of postsecondary education expected to complete a degree or certificate, few did. Moreover, data provided by postsecondary institutions indicate that few adults who completed a certificate or degree consistently enrolled on a less-than-halftime basis.

In 1999-2000, about 7 in 10 of the nation's less-than-halftime adult students received an average of $462 in assistance with their school attendance costs of slightly more than $1,000, typically from sources other than federal or state student aid. Though less-than-halftime adult students had a range of household incomes, their school attendance costs and the amount of assistance they received did not vary widely. However, the sources of support they received did vary by household income. For the less-than-

halftime adult students with a household income below 150 percent of the federal poverty guideline,[2] student financial aid—rather than work-related sources of support—was the primary source of assistance. For the less-than-halftime adult students with household incomes above this level, assistance was most often received from one of two work-related sources of support: the Lifetime Learning tax credit or employer-provided assistance. WIA and TANF may also provide assistance to less than halftime adult students. However, WIA block grant funds have generally been used by states to support employment-related assistance or skills training, and few less than halftime students received WIA assistance. Very few less-than-halftime adult students received TANF assistance, and NPSAS collected no data on the extent to which TANF assistance was used to meet their costs of postsecondary education.

Changing the Pell and Stafford programs could provide some less-than-halftime students with additional aid, increase program costs for the federal government, and, potentially, pose loan default problems for some institutions and students. Permitting less-than-halftime students to include the same costs as other students in their aid calculations is estimated to provide 150,000 Pell recipients with additional grant aid averaging $110 per year, and another 13,000 less-than-halftime students who otherwise would not receive a Pell award with an average award of $630. The federal budget cost of this change in Pell Grant policy for less-than-halftime students would be, at a minimum, $25 million for the 2003-2004 academic year.[3] Permitting less-than-halftime students to participate in the Stafford Loan programs would result in more than two million additional borrowers, according to our estimates. If federal costs per loan dollar remained the same, this change would cost roughly $113 million per year. Site visits to postsecondary institutions in four states revealed that college administrators are concerned about the potential disadvantages of permitting less-than-halftime students to participate in the Stafford Loan program. They anticipate that less-than-halftime students who borrow might be unlikely to complete their studies, and, as a consequence, more

[2]Issued annually by the Department of Health and Human Services, the poverty guidelines are a simplification of the Census Bureau's poverty thresholds, and they are used to determine financial eligibility for certain federal programs. NPSAS 2000 reports 1998 income data, since these served as the basis for financial aid applications in the 1999-2000 school year, when its data were collected. The 1998 poverty guideline for a three-person household was $13,650.

[3]This cost estimate assumes that adults who are not enrolled in school will not choose to enroll in response to the policy change.

likely to default on their loans. Because institutional eligibility to participate in federal student aid programs is linked to an institution's cohort default rate,[4] permitting borrowing by less-than-halftime students may have the unintended consequence of jeopardizing the eligibility of some institutions.

We provided Education with a copy of our draft report for review and comment. In written comments on our draft report, Education noted that they found our report to be thorough and useful. Education's written comments appear in appendix IV. Education also provided technical comments, which we incorporated where appropriate.

Background

Each year millions of adults participate in organized learning in the United States, in a wide range of venues. In 1999, an estimated 90 million persons 16 and older[5] reported that they had participated in some sort of formal learning activity, ranging from personal development courses—such as family genealogy or cooking classes—to apprenticeship and advanced degree programs. Much of this learning takes place outside of formal credential programs that confer a certificate or degree—most often in the workplace, where employers offer classes for job-specific skills, or in the many courses offered by postsecondary institutions that are not part of a credential program, such as a continuing education class. Enrolling in a certificate or degree program at a postsecondary institution is an important opportunity, however, for millions of adults who seek personal growth, or advancement in their working lives.

Characteristics of Adult Undergraduate Students

In the 1999-2000 academic year, an estimated 7.1 million adults were enrolled as undergraduates in the nation's postsecondary institutions, comprising about 40 percent of all undergraduate students. About three-quarters of these adult undergraduates were between the ages of 24 to 40, while about one-quarter were 41 or older. Compared with undergraduate

[4]A cohort default rate is the percentage of a school's borrowers who enter repayment status on certain Federal Family Education Loan Program and/or William D. Ford Federal Direct Loan Program loans during one federal fiscal year and default prior to the end of the next fiscal year.

[5]The 1999 Adult Education Survey of the National Household Education Survey surveys "formal learning activity" among all civilian, noninstitutionalized individuals age 16 and older who were not enrolled in elementary or secondary school at the time of the interview.

students under the age of 24, adult students enrolled in 1999-2000 were more likely to be working full time (35 or more hours per week), to be married, to have dependents, and to lack a conventional high school diploma. (See table 1.)

Table 1: Differences Between Students Under 24 Years of Age and Age 24 And Older

Numbers in percent		
Student Characteristics	**Students Under 24**	**Students 24 and Older**
Work fulltime	24	59
Married	5	50
Have dependents	8	54
GED/No diploma	4	9

Source: NPSAS 1999-2000

Note: See appendix II for confidence intervals associated with these estimates.

While the majority of undergraduates under the age of 24 were enrolled in baccalaureate programs, adult undergraduate students were primarily enrolled in certificate or associate programs in 1999-2000. Most adult students (55 percent) were enrolled at 2-year public institutions, while another 22 percent were enrolled in a public 4-year institution, and 10 percent were enrolled in private 4-year institutions. The remaining adult students were enrolled at proprietary schools, such as culinary or beauty schools, or a combination of different types of institutions.

A Range Of Public And Private Funding Sources Assist Adults In Meeting Educational Costs

A range of public and private funding sources is available to adults to assist them in meeting the costs sometimes associated with formal learning, including employer-provided educational assistance, federal student aid programs authorized under Title IV of the Higher Education Act, higher education tax credits, and federal WIA and TANF funds.

Federal Financial Aid Available to Adult Undergraduate Students under Title IV of the Higher Education Act

In the 1999-2000 academic year, adult students received about $3.3 billion in grant assistance and $8.5 billion in loan assistance from programs authorized under Title IV of the Higher Education Act. To receive federal financial aid, students must meet several eligibility requirements, including being enrolled in a degree or certificate program, and maintaining satisfactory academic progress. Institutions are required to establish qualitative and quantitative criteria of satisfactory progress, and to

monitor student progress.[6] Taken together, these requirements help to ensure that Title IV funds are used in ways that benefit both students and the larger public, rather than purely recreational or leisure activities. Postsecondary institutions must also meet eligibility requirements to participate in Title IV programs, including legal authorization by the state in which they offer postsecondary education, accreditation by a nationally recognized accrediting agency,[7] and limiting regular admission to individuals with a high school diploma or its recognized equivalent.[8] Institutional eligibility requirements help to ensure that participating institutions provide students with quality education or training.

Programs authorized under Title IV include Pell Grants for low-income students and Stafford Loans. Stafford loans may be either subsidized or unsubsidized. If the loan is subsidized, the federal government pays the interest cost of the loan for the time a student is enrolled in school. If the loan is unsubsidized, the borrower is responsible for paying interest during the life of the loan. Title IV also authorizes programs funded by the federal government and administered by participating higher education institutions, commonly known as campus-based aid—Supplemental Educational Opportunity grants, Perkins loans, and federal work-study aid.

Students who apply for Title IV aid must do so using the Free Application for Federal Student Aid (FAFSA). Information from the FAFSA is used to determine the amount of money that the adult student is expected to contribute to his or her own education, called the expected family contribution (EFC). Statutory definitions establish the criteria that students must meet to be considered independent of their parents for

[6]Qualitative measures include grades or work projects that are used against an established standard to assess academic progress. Quantitative measures are standards used to establish the maximum time frame in which students are expected to complete their academic programs.

[7]Institutions may also meet this requirement by being preaccredited by an agency or association approved by Education to grant preaccreditation. Public postsecondary vocational institutions may be accredited by a state agency that Education recognizes to be a reliable authority.

[8]Institutions may also admit home-schooled students, or individuals beyond the age of compulsory school attendance in the state where it is located.

purposes of financial aid,[9] and statutory formulas establish the share of income and assets that are expected to be available for the student's education. Once the EFC is established, it is compared to the cost of attendance at the institution chosen by the student. As table 2 indicates, the elements included in the student's cost of attendance for the purpose of calculating the Pell Grant award vary according to the extent of their enrollment.

Table 2: Elements Included in Cost of Attendance for Pell Awards

Elements in cost of attendance	Fulltime or Halftime students (6 or more credits)	Less-than-halftime students (1-5 credits)
Tuition and fees	√	√
Books and supplies	√	√
Transportation	√	√
Miscellaneous personal expenses	√	Not included
Room and board	√	Not included
Child care	√	√
Other expenses*	√	√

Source: 1999-2000 Student Financial Aid Handbook.

*Such as supportive services for disabled students.

If the EFC is greater than the cost of attendance, the student is not considered to have financial need for federal Title IV aid programs. If the cost of attendance is greater than the EFC, then the student is considered to have financial need. Pell Grant awards are calculated by subtracting the student's EFC from the maximum Pell Grant award. Maximum Pell Grant awards are prorated by the student's enrollment intensity: students attending less than halftime are eligible to receive one-quarter of the maximum Pell Grant award. In 1999-2000, the maximum Pell Grant award was $3,125 for fulltime students, while the maximum award for a less-than-halftime student was $781. The maximum subsidized Stafford loan award

[9]To be classified as an independent student for the purpose of receiving Title IV financial aid, students must meet one of the following criteria: (1) veteran of armed services; (2) age 24 years or older by December 31st of the award year; (3) married; (4) enrolled in a graduate or professional educational program; (5) have legal dependents other than a spouse; or (6) be an orphan or ward of the court. Financial aid administrators may also classify students as independent through the exercise of their professional judgment. In 1999-2000, 87 percent of students classified as independent were 24 or older.

is equal to the student's calculated financial need, subject to statutory limits on annual and cumulative borrowing. The maximum unsubsidized Stafford loan award is equal to the student's cost of attendance, subject to statutory limits on annual and cumulative borrowing.

State, Institutional, and Other Federal Sources of Financial Assistance Available to Adult Undergraduate Students

Adult students also received financial aid from states, postsecondary institutions, and other federal sources.[10] In 1999-2000, states awarded a total of $975 million to adult students enrolled in undergraduate education, typically on the basis of estimated financial need. However, about half of the states did not have aid programs in which adults enrolled less than halftime were eligible to participate. Postsecondary institutions awarded $941 million in aid to adult undergraduate students in 1999-2000, often on the basis of considerations other than financial need. Sources of federal assistance other than Title IV aid were available to adult undergraduates, the largest of which was Montgomery GI Bill assistance. About $1 billion was available to the nation's veterans and eligible service members through the Montgomery GI Bill.

Work-Related Financial Assistance Available to Adult Undergraduate Students

Financial assistance was also available to adult students from work-related sources—through two federal higher education tax credits and from employer-provided educational assistance. Employers may pay postsecondary educational expenses directly, or indirectly through employee reimbursement, and they are encouraged to do so by the federal tax code, which provides favorable tax treatment for these benefits. In 1999-2000, employers provided $1.28 billion in assistance to adult students enrolled in undergraduate postsecondary education, most often to those workers who were most likely to increase company productivity or profitability as a result of their education, such as high-skill, high-demand workers and managers.[11] Employees were usually required by employers to meet a number of conditions to obtain this educational assistance—such as a minimum length of service—but were not obligated to enroll in degree or certificate programs, or to complete their studies.[12] Assistance

[10]These sources include, for example, vocational rehabilitation financial assistance, which an estimated 0.3 percent of the nation's adult students enrolled in postsecondary students received in 1999-2000.

[11]National Academy Press, *Knowledge Economy and Postsecondary Education: Report of a Workshop*, 2002; National Center for Education Statistics, *Employer Aid for Postsecondary Education*, 1999.

[12]International Foundation of Employee Benefit Plans, *The Many Faces of Employee Benefits*, http://www.ifebp.org/knowledge/reedubn1.asp.

was also available to students through two federal higher education tax credits, the HOPE and Lifetime Learning tax credits.[13] Tax filers on their own behalf, or on behalf of a spouse or dependent may claim both credits, and both are nonrefundable: if the filer has no tax liability, they cannot receive the credit. Eligibility for the HOPE credit is limited to students who are enrolled halftime or more in a degree or certificate program, and in their first 2 years of postsecondary education. In contrast to both the HOPE tax credit and the Stafford student loan programs, the Lifetime Learning tax credit may be used by tax filers who enroll for any number of credits, and for any course that aids in learning new or improving existing job skills, including those that are not part of a degree or certificate program. Additionally, tax filers may use the credit for as many years as they are enrolled, without regard to degree progress or completion. Tax filers use all qualified tuition and fees—minus any tax-free educational assistance[14] received—to compute the credits. In 1999-2000, all of the first $1,000 and half of the next $1,000 of qualified education expenses per student could be used to compute the HOPE credit, for a maximum credit of $1,500. In 1999-2000, each tax filer could use 20 percent of the first $5,000 in qualified educational expenses to compute the Lifetime Learning credit for a maximum credit of $1,000. The Lifetime Learning credit permits tax filers to combine their own expenses and those of their spouse and dependents. For taxpayers filing jointly, both credits were initially phased out at $80,000 adjusted gross income,[15] and fully phased out at $100,000.[16]

Assistance to Adult Undergraduate Students Under WIA and PRWORA

Federal programs authorized by WIA and PRWORA may also provide some adults with assistance in meeting the costs of postsecondary education. Under WIA, adults and dislocated workers may be eligible to receive job training after it is determined that they are unlikely to get a job leading to self-sufficiency without such training. WIA funds may be used for postsecondary training only for expenses remaining after the receipt of

[13]For additional information concerning the credits, see U.S. General Accounting Office, *Student Aid and Tax Benefits: Better Research and Guidance Will Facilitate Comparison of Effectiveness and Student Use*, GAO-02-751 (Washington, D. C.: Sept. 13, 2002).

[14]Tax-free educational assistance includes scholarships, Pell Grants, employer-provided educational assistance, and veterans' educational assistance.

[15]Adjusted gross income is total income reduced by certain amounts, such as for an individual retirement account or student loan interest.

[16]These phase-out limits apply to returns filed in 2000. Under the Taxpayer Relief Act of 1997, these amounts are indexed to inflation.

Pell Grant and other sources of assistance. Furthermore, state and local workforce investment boards are authorized to establish limits on the amount of time or the amount of WIA funds that may be used to meet training expenses. Under PRWORA, block grants are made to states, which may use these funds to assist TANF recipients in meeting costs associated with vocational training or education, including postsecondary education. These costs may include tuition and fees, childcare, and transportation.

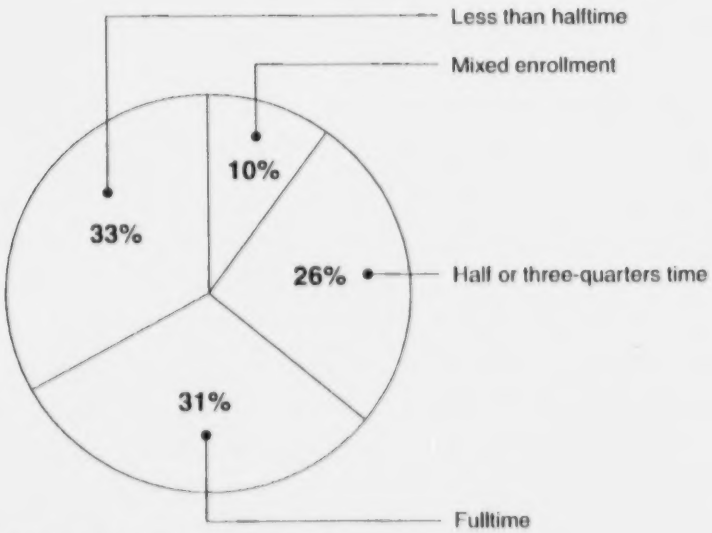
Most of the 2.3 Million Adult Undergraduate Students Who Enrolled Less Than Halftime Needed to Balance School and Other Responsibilities, and Many Were Unable to Complete Their Programs

In 1999-2000, one-third of adult undergraduate students, about 2.3 million, enrolled less than halftime, and most worked fulltime and needed to balance the demands of school with other responsibilities. Most adults who enroll as less than halftime students intend to complete a degree or certificate, but few do. Compared with adult students enrolled halftime or more, the typical less-than-halftime adult student was older, more likely to be working and married, and had a higher household income. In addition, less-than-halftime students more often enrolled without being in a degree program, and less often pursued a baccalaureate degree. Although less-than-halftime enrollment may permit adults to complete one or two courses helpful to their employment prospects, such enrollment appears to be an ineffective long-term strategy for the majority of less-than-halftime adult students who intend to complete a degree. Of those adults who expected to complete a certificate or degree and enrolled on a less than halftime basis during their first year of school, most had not completed a degree or certificate, and were no longer enrolled in school.

One-Third of Adult Undergraduate Students Enrolled Less Than Halftime, and Those Who Did Differed from Other Adult Students

In 1999-2000, one-third, about 2.3 million, of adult undergraduate students were enrolled less than halftime. As shown in figure 1, other adult students were either enrolled fulltime (12 or more credits), half- or three-quarters time (6-11 credits), or were in a combination of different enrollment types (mixed).

Figure 1: Enrollment Distribution of All 7.1 Million Adult Undergraduate Students, 1999-2000



Source: GAO calculations from NPSAS 1999-2000.

Note: See appendix II for confidence intervals associated with these estimates.

Compared with adult students enrolled halftime or more, less-than-halftime adult students were older, and more likely to be working fulltime, be married, and have dependents. In addition, less-than-halftime adult students more often enrolled in 2-year postsecondary institutions, and less often pursued a baccalaureate degree. Less-than-halftime adult students had, on average, higher household incomes than did other adult students. (See table 3.)

Table 3: Differences Between Less-than-Halftime Adult Students and Other Adult Students

Characteristics of adult students	Less than Halftime	Halftime or Three-Quarter Time	Fulltime
Median age	37	32	28
Percentage of students working fulltime	77	70	34
Median household income (1998)	$42,000	$31,000	$18,000
Percentage of students married	57	50	42
Percentage of students having dependents	57	55	51
Percentage of students enrolled at 2-year institution	73	58	35

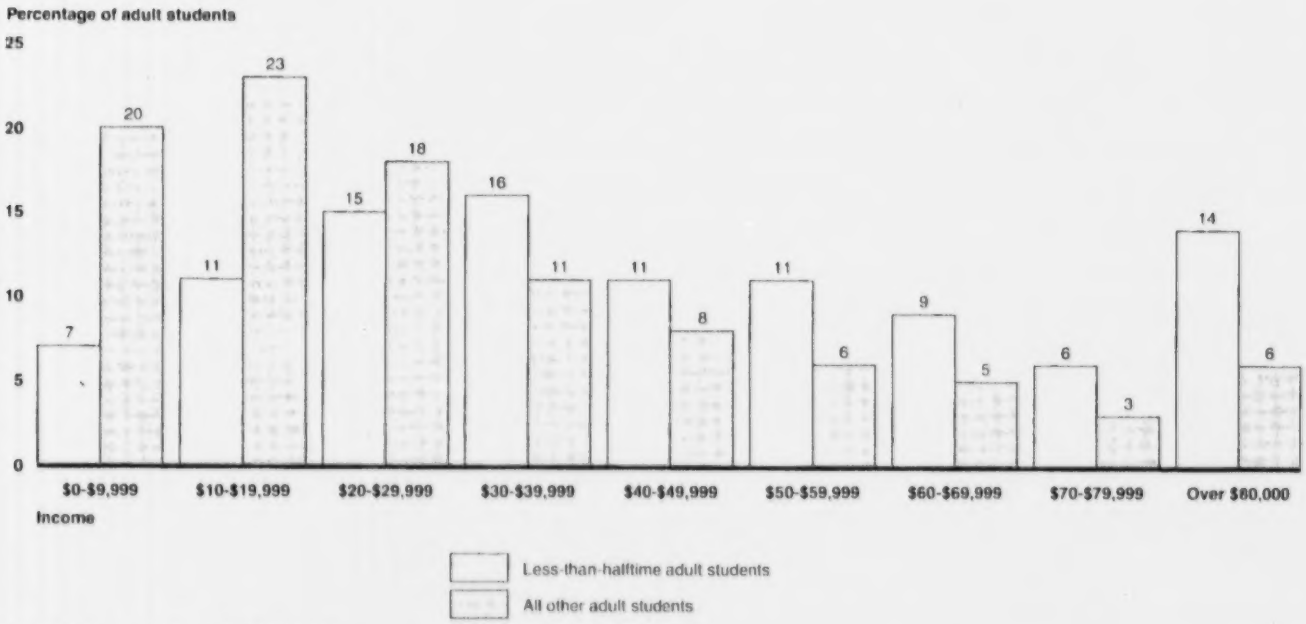
Source: GAO calculations from NPSAS, 1999-2000.

Note: See appendix II for confidence intervals associated with these estimates.

A substantially larger proportion of adults who enrolled on a less-than-halftime basis had household incomes over $30,000 than did adults enrolled halftime or more. (see figure 2).

An estimated 7 percent of all adult students enrolled less than halftime in 1999-2000 had household incomes at or below 100 percent of the federal poverty guideline, which for a three-person household in 1998 was $13,650. An estimated 14 percent had household incomes at or below 150 percent of the federal poverty guideline, or $20,475 for a three-person household.

Figure 2: Income Levels of Adult Students—Comparison between Those Attending Less- Than-Halftime and Other Adult Students



Source: GAO calculations from NPSAS 1999-2000.

Note: See appendix II for confidence intervals associated with these estimates.

School Administrators Believe Students May Choose Less-Than-Halftime Enrollment for Many Reasons—Most Commonly to Balance Work, Family, and School

Adult students choose to enroll on a less-than-halftime basis for many reasons, the most important of which, most school administrators told us, is their need to balance school requirements with the competing demands of work and family. This closely reflects the findings of studies that examine postsecondary enrollment among adults.[17] School administrators explained that the balancing act required of many adult students, in which they attempt simultaneously to meet family responsibilities and work obligations, left many adults with too little time to be a fulltime student. The routines of adult life—from caring for sick children to meeting unexpected job demands—compete with class attendance and the completion of course assignments, according to these administrators. Faced with this "juggling act" some adult students may have to pursue postsecondary education on a less-than-halftime basis.

College administrators we contacted also identified several other significant reasons why adult students may enroll on a less-than-halftime basis, including the difficulty meeting the direct costs of school, scheduling conflicts, and students' limited readiness for postsecondary education. Virtually all administrators identified these as important, but secondary, reasons. While many adult students receive some financial support towards postsecondary costs, most students pay the majority of school costs from their own resources. Because adult students may find it difficult to economize on housing costs by searching for less expensive accommodations or group housing, enrolling less than halftime can provides them with a way to reduce out-of-pocket costs associated with tuition and fees—as well as transportation, childcare, and books.

Scheduling conflicts also played a role, according to college administrators, in influencing enrollment decisions. Officials noted that adult students, especially working students, may be unable to enroll on a halftime or fulltime basis due to the inflexibility of course and program options made available by postsecondary institutions, or a lack of flexibility in work schedules on the part of employers. While some postsecondary institutions offered the majority of their classes during

[17]We identified only one study examining less-than-halftime adult students, Illinois Student Assistance Commission Research Reports, Summer 2001. Others, however, examined similar student populations, such as working adults or part-time adult students. The findings of these studies point to broadly similar factors influencing adults' enrollment decisions. See, for example, *Work First, Study Second: Adult Undergraduates Who Combine Employment and Postsecondary Enrollment*, NCES, June 2003; *Opening Doors: Students' Perspectives on Juggling Work, Family, and College*, MDRC, July 2002.

nontraditional hours, such as evenings or weekends, others did not. For example, administrators at one 4-year school estimated that only 10 percent of the undergraduate courses were offered during evening hours. Adults may find it easier to plan and manage their schedules over 5 to 7 weeks than they do over longer time periods, such as a traditional 10 or 15-week semester. At another institution, administrators noted that 3,000 course sections were offered each semester, but only 10 were available to adults in a shorter 5 to 7 week format, owing to reluctance of faculty to teach in alternative times and formats. Administrators at one community college pointed to a lack of flexibility in employer work schedules, noting that adult students often withdraw from class when their employer changes their work schedule, preventing them from attending class.

School administrators explained that some adults might not be ready—academically or socially—for postsecondary education, and that this may contribute to their decision to enroll less than halftime. Adult students often need to refresh or develop college-level skills, they noted, particularly in mathematics. Adult students may also lack confidence in themselves or their abilities, or feel out of place in a college setting. One administrator noted that some adult students at her institution experienced stress-related illnesses after they had begun their coursework and needed to leave mid-semester. National data indicate that adults enrolled on a less than halftime basis are more likely to be encountering academic difficulties than other adult students, as reflected in their lower grade point averages.

Most Adults Who Enrolled as Less-Than-Halftime Students Expected to Complete a Certificate or Degree, But Did Not

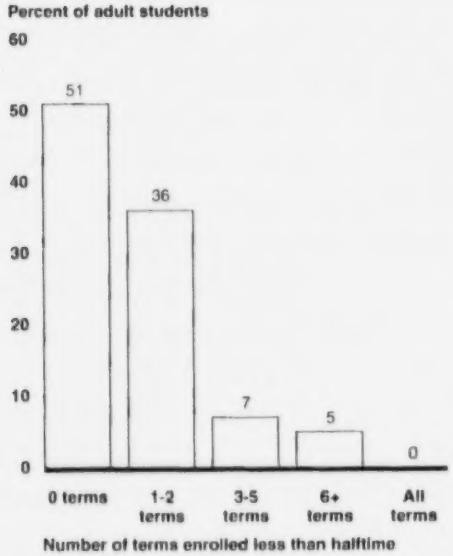
National data indicate that most adults who enrolled on a less-than-halftime basis during their first year of postsecondary education expected to complete a degree or certificate, but six years later the majority had left school with no credential. Moreover, data provided by postsecondary institutions included in our review show that few adults who succeeded in completing a certificate or degree consistently enrolled on a less-than-halftime basis. Some adults who enroll in credit-bearing courses at postsecondary institutions may not intend to complete a degree or certificate; rather, they may choose to complete only a few courses, finding this sufficient to acquire the skills that help them gain employment, obtain a promotion, or find personal satisfaction. Data from Education's 1995-1996 Beginning Postsecondary Students (BPS) study, which tracked the academic progress and degree completion of students over a 6-year period from 1995-1996 to 2001-2002, show that 25 percent of adults who enrolled on a less than halftime basis during their first year of

postsecondary education did not expect to complete a degree or certificate. The remaining 75 percent, however, did.

Most adults who intended to complete a degree or certificate and enrolled on a less-than-halftime basis during their first year of postsecondary education left school without completing a degree or certificate. Using the BPS study, we analyzed completion among those students who first enrolled at age 24 or older, who expected to complete a certificate, associate's degree, or baccalaureate degree, and who enrolled on a less than halftime basis one or more times during their first year of postsecondary education. We estimate that about two-thirds (66 percent) of adults who began in 1995-1996 did not complete a certificate or degree by 2001-2002, and were no longer enrolled in postsecondary education. In comparison, only about 30 percent of adults who enrolled as halftime or fulltime students in their first year of school had left school without completing a degree or certificate.

At those institutions that provided completion data to us, adult graduates' reliance upon less than halftime enrollment varied with program length. Of the 1,830 baccalaureate graduates who completed their degrees in 2001-2002 at four 4-year institutions we visited, and who when they first enrolled were age 24 or older, slightly more than one-half never enrolled on a less-than-halftime basis, and another 36 percent did so for only one or two terms. No graduates relied exclusively upon less-than-halftime enrollment to complete their degree. (See fig. 3.)

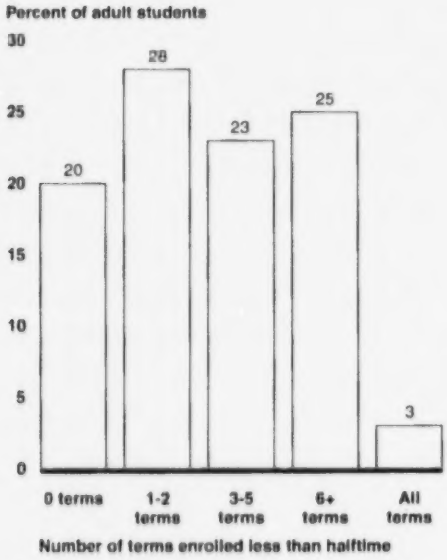
Figure 3: Terms of Less-Than-Halftime Enrollment among Students Who Began as Adults and Completed Baccalaureate Degrees at Selected 4-Year Institutions in 2001-2002



Source: Data provided by four baccalaureate institutions visited by GAO.

Of the 1,927 students who completed an associate degree in 2001-2002 at four 2-year institutions we visited and who first enrolled at age 24 or older, almost one-half never enrolled as less-than-halftime students, or did so for one or two terms. Only 3 percent consistently enrolled on a less-than-halftime basis. (See fig. 4.) This pattern of enrollment was similar for the 348 students who completed a certificate program at three of the 2-year institutions we visited.

Figure 4: Terms of Less-Than-Halftime Enrollment among Students Who Began as Adults and Completed Associate Degrees at Selected 2-Year Institutions, 2001-2002.



Source: Data provided by four 2-year institutions visited by GAO.

Most Less-Than-Halftime Adult Students Received Some Assistance with Postsecondary Costs, Typically from Work-Related Sources

In 1999-2000, about 7 in 10 of the nation's less-than-halftime adult students received assistance equaling about 44 percent of their school costs, typically from sources other than federal and state student aid. Though less-than-halftime adult students had a range of household incomes, their school costs and the amount of assistance they received did not vary widely; however, the sources of assistance they received did vary by household income. Student financial aid from federal, state, and institutional sources comprised the majority of assistance received by lower-income adults, while most assistance received by higher- income households was provided by work-related sources. Very few adults enrolled on a less-than-halftime basis seldom received assistance from either federal WIA or TANF sources.

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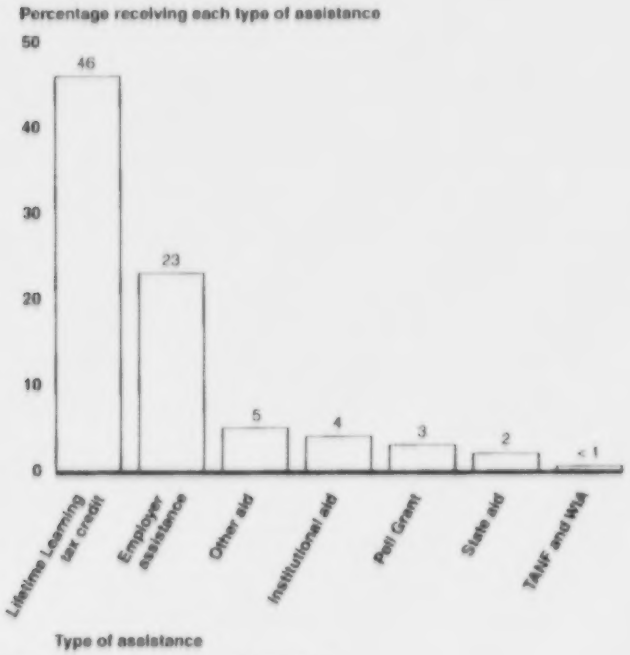
Seven in 10 Less-Than-Halftime Adult Students Received Assistance for School Costs—Most Often from Lifetime Learning Tax Credit and Employer Assistance

In 1999-2000, most less-than-halftime adult students received some assistance with their postsecondary education or training costs, typically from sources other than student financial aid. An estimated 70 percent of less-than-halftime adults received assistance from federal, state, or other sources with their postsecondary education or training costs, which are estimated to have been, on average, $1,058 for all less-than-halftime adult students in 1999-2000. About one-half of these costs were comprised of tuition and fees ($480), while the remaining amount was comprised of books, equipment, childcare, and transportation costs.

For those less-than-halftime adults who received assistance in 1999-2000, the average amount was $462, or approximately 44 percent of their school costs. Though the Lifetime Learning tax credit was the source of assistance most widely received by less-than-halftime adult students, the average Lifetime Learning tax credit ($74) was significantly smaller than the average Pell Grant award ($465) or the average level of employer support ($784).

Figure 5: Percent of Less-Than-Halftime Students Receiving Each Type of Assistance, 1999-2000



Source: GAO calculations from NPSAS, 1999-2000

Notes: Students may receive more than one source of assistance. Other aid consists chiefly of Montgomery GI Bill assistance. See appendix II for confidence intervals associated with these estimates.

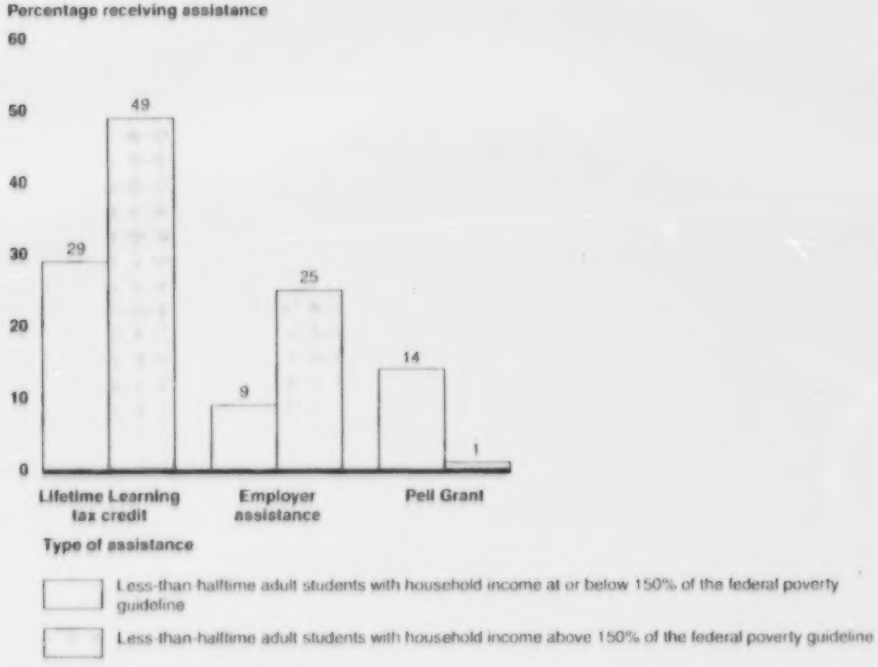
Sources of Assistance Received by Less-Than-Halftime Adults Varied by Household Income, but Their School Costs and Amount of Assistance Were Similar

Few adults who enrolled less-than-halftime in 1999-2000 had incomes below 150 percent of the federal poverty guideline, and those who did received the bulk of assistance with their school costs from student financial aid—in contrast to the majority of less-than-halftime adult students who had incomes well above federal poverty guidelines and who relied chiefly upon work-related sources of assistance to meet school costs. Although the sources of assistance received by lower- and higher-income students were different, both groups had about the same school costs and levels of assistance and, therefore, similar shares of their school costs met through federal, state, or work-related assistance. In 1999-2000, 15 percent of less-than-halftime adults had a household income below 150 percent of the 1998 federal poverty guideline, while the vast majority of these students had incomes above this level. Less-than-halftime adult students with household incomes below 150 percent of the 1998 federal

poverty guideline had approximately 43 percent of their estimated $1,121 in school costs met through all forms of assistance, while those with incomes above 150 percent of the federal poverty guideline had approximately 44 percent of their estimated $1,048 in costs met through assistance.

As figure 6 shows, a larger percentage of lower income less-than-halftime adult students received Pell Grants than did students with incomes above 150 percent of the federal poverty guideline, while a smaller proportion received work-related assistance, either from their employer or the Lifetime Learning tax credit.

Figure 6: Proportion of Less-Than-Halftime Adults Who Received Assistance, by Household Income, 1999-2000



Source: GAO calculations from NPSAS, 1999-2000.

Note: Sample sizes for state, institutional, and other aid do not permit reliable estimates. See appendix II for confidence intervals associated with these estimates.

Among low-income, less-than-halftime adult students, educational costs averaged just over $1,100, and about 14 percent of these students received federal Pell Grants to assist them in meeting these costs. Adults who work

part-time receive employer financial assistance for enrollment in credential programs less often than those who work fulltime.[18] Compared with higher-income less-than-halftime adult students, fewer low-income students worked, and, if they worked, fewer were employed fulltime. Consequently, a smaller percentage of low-income students received employer assistance (9 percent) than did higher-income students (25 percent). Finally, about half of these low-income adult students had no federal income tax liability and were, therefore, ineligible to receive a Lifetime Learning tax credit. As a result, an estimated 29 percent of those below 150 percent of the federal poverty guideline received a Lifetime Learning tax credit.

While lower-income adult students received about two-thirds of their assistance (66 percent) from federal, state, institutional, and other aid, the opposite was true of higher-income adult students, who received 71 percent of their support from work-related sources assistance. In 1999-2000, most adult students (85 percent) had incomes above 150 percent of the federal poverty guideline. According to federal and state financial aid rules, these adult students typically had incomes and assets that were sufficient to meet their postsecondary costs and, therefore, only 1 percent received either federal or state student aid. Most who had incomes above this level were fulltime workers, and a larger share received both employer assistance and Lifetime Learning tax credits than did their lower-income counterparts.

WIA and TANF Assistance Was Rarely Received by Less-Than-Halftime Adults

We estimate that less than 1 percent of all less-than-halftime adult students received either WIA or TANF assistance with the cost of postsecondary education in 1999-2000. The population of less-than-halftime adult students that received WIA funds for vocational training was too small to reliably estimate the average amount of assistance they received in 1999-2000.

Very few less-than-halftime adult students received WIA assistance because the WIA program focuses on employment-related assistance or skills training, and generally does not support extended training of adult students pursuing a postsecondary credential. At some of our visits to postsecondary institutions, school officials informed us that they were unfamiliar with WIA. However, those familiar with the program reported

[18]National Center for Education Statistics, *Employer Aid for Postsecondary Education*, 1999.

that very few adult students were WIA recipients, and that the number of adult students enrolled with assistance from WIA was lower than the number enrolled with assistance under the previous federal workforce policy, the Job Training Partnership Act. The time and dollar limits established by local workforce investment boards may make it difficult for adult students to use WIA funds for the extended training that may be required for the completion of a postsecondary vocational credential, even for those who are enrolled on a fulltime basis. As officials at one 2-year postsecondary institution reported, many adult students entering certificate programs needed 1 year of remedial coursework before beginning their program and were, therefore, unable to complete their coursework within the 1-year time limit established by the local workforce investment board.

Less than 1 percent of less-than-halftime adult students received TANF assistance in 1999-2000, and NPSAS collected no data on the extent to which TANF funds assisted these students in meeting costs associated with their training or education. Moreover, school officials at the institutions we visited were generally unaware of the extent to which adult students were TANF recipients. One school, however, had created a program to enable TANF recipients to attend school fulltime. In Maryland, the Baltimore City Community College and city and state officials established the School Counts Program, through which selected TANF recipients who enroll at the community college are provided with advising, assistance with transportation and childcare expenses, and federal work study assistance that permits them to maintain a full credit load throughout the entire calendar year. These supports permit a relatively large proportion of program participants to complete a certificate or degree.[19]

[19]University of Maryland School of Social Work, *School Counts I Report*, 2000.

Changing the Pell and Stafford Programs Would Provide More Students With Additional Aid, but Result in Increased Federal Budget Costs and, Potentially, Undesirable Effects for Students and Institutions

Changing how the Pell and Stafford programs treat less-than-halftime attendance would provide some less-than-halftime students with additional aid, but it would likely increase program costs for the federal government and administrative complexity for postsecondary institutions. Proposed changes to the Pell Grant program include allowing, for less-than-halftime students, the inclusion of room and board and miscellaneous personal expenses, as is done for fulltime students. Another proposed change would be to allow less-than-halftime students to participate in the Stafford Loan programs. Administrators of postsecondary institutions in the four states we visited expressed concern about potential negative consequences of the Stafford loan proposal.

Changes to the Pell Grant Program Will Increase Program Costs—Most Often Assisting Students Currently Receiving Pell Awards

Allowing, for all less-than-halftime students,[20] the inclusion of room and board and miscellaneous personal expenses in their cost of attendance, as is done for other students, would increase the number of less-than-halftime students who receive a Pell grant and increase Pell award amounts for those who already receive a grant. We estimate that about 13,000 less-than-halftime students who do not receive a Pell award under current law would receive an average award of $630 under this alternative in the 2003-2004 academic year. In addition, about 150,000 less-than-halftime students would receive a Pell Grant award increase of $111 per year in 2003-2004. (See table 4.) The total federal budget cost of changing Pell Grant policy for less-than-halftime students would be approximately $25 million for the 2003-2004 academic year. This cost estimate assumes that adults who are not enrolled in school will not choose to enroll in response to the policy change. If about 35,000 individuals who are not in school respond to this change in policy by enrolling less than halftime, an estimate implied, in part, by some research, there could be an additional federal budget cost of about $10 million in addition to the $25 million associated with already enrolled students. (See app. III.)

[20]The federal financial aid methodology provides that dependent and independent students use the same cost elements in calculating their cost of attendance. Therefore, our analysis assumes that all less-than-halftime students, dependent and independent, would be affected by a change to the cost of attendance.

Table 4: Estimated Effects of Changes to Pell Grant Program

Students affected	Number of students receiving new/larger award	Estimated increase in Pell award under alternative law	Estimated federal budgetary cost, 2003-2004
Currently enrolled and no Pell received, newly eligible	13,000	$630	$8,190,000
Currently enrolled and receiving Pell, eligible for larger Pell	150,000	$111	$16,650,000
Total cost			**$24,840,000**

Source: GAO analysis.

Note: Estimate assumes adults who are not in school will not enroll in response to the policy change and that cost of attendance elements for both dependent and independent students would be changed. See appendix I for estimation methodology.

Changes to the Stafford Loan Program Will Increase Program Costs and May Result in Disadvantages to Students and Institutions

While current law does not permit less-than-halftime students to participate in the Stafford loan programs, some have proposed that these students be allowed to participate. This change to the loan program would increase federal subsidy costs[21] associated with the Stafford programs. Moreover, campus administrators anticipate that the change could have undesirable effects on postsecondary institutions and on students.

Permitting all less-than-halftime students to participate in the Stafford loan programs would increase federal subsidy costs associated with the Stafford loan programs by approximately $113 million in fiscal year 2004.[22]

[21]For budgetary purposes, loan subsidy cost—the portion of cost paid by the federal government—is calculated for each loan cohort. Subsidy costs represent the estimated lifetime costs, excluding administration costs, to the federal government of FFELP and FDLP loans calculated on a net present value basis. Net present value is the future stream of benefits and costs converted into equivalent values today, using an appropriate discount rate.

[22]The federal financial aid methodology provides that dependent and independent students use the same cost elements in calculating their cost of attendance. Therefore, our analysis assumes that all less-than-halftime students, dependent and independent, would be affected by a change to the cost of attendance.

We estimate that the average unsubsidized Stafford loan[23] taken out by adult students enrolled less-than-halftime would be approximately $680, while the average subsidized loan would be about $1,200. Federal subsidy costs in subsequent fiscal years would change depending upon the number of students enrolled at eligible institutions, loan amounts per student, and federal subsidy costs per loan dollar.

Table 5: Estimated Effects of Changes to Stafford Loan Programs

Stafford program	Expected loan amount	Estimated number of borrowers[a]	Estimated federal subsidy cost, 2003-2004[b]
Unsubsidized Loan	$680	550,000	$34,000,000
Subsidized Loan	$1,200	1,900,000	$79,000,000
Total			**$113,000,000**

Source: GAO analysis.

[a]Estimate assumes that dependent and independent students are allowed to participate in the Stafford programs and that all who are eligible borrow. See appendix I for estimation methodology.

[b]Estimated federal subsidy cost is less than estimated loan volume (expected loan amount multiplied by estimated number of borrowers) because, unlike grants, borrowers must repay loans.

While administrators pointed to several potential benefits of providing Stafford eligibility for less-than-halftime students, they far more often pointed to a larger set of disadvantages—for both postsecondary institutions and student borrowers—that might accompany this change. Discussing potential benefits of expanding eligibility to include less-than-halftime students, they noted that changing the Stafford loan program might permit less-than-halftime students to reduce their reliance on more costly types of borrowing, or to reduce the extent to which they work to finance their education. Additionally, some students might prefer—or better cope with—enrollment as a less-than-halftime student, but are encouraged by Stafford eligibility rules to take six or more credits. If eligibility for the program were extended to less-than-halftime students, this incentive for students to enroll for more credits would be removed.

[23]Stafford loans may be either subsidized or unsubsidized. If the loan is subsidized, the federal government pays the interest cost of the loan for the time a student is enrolled in school. If the loan is unsubsidized, the borrower is responsible for paying interest during the life of the loan. While called "unsubsidized," the federal government can still incur costs on such loans, including costs associated with borrowers who default on their loans and, under the FFELP, costs of making certain interest subsidy payments to lenders.

Administrators, particularly those at public 2-year postsecondary institutions, expressed the potential disadvantages associated with expanding eligibility. They observed that expanding eligibility to less-than-halftime students might increase their institution's cohort default rate. Students who do not complete a certificate or degree, research indicates, are especially likely to default on their loans.[24] In light of the low rates of completion among less-than-halftime students, they reasoned, this population might be at particular risk of defaulting on Stafford loans. Institutional eligibility to participate in federal student aid programs is linked to an institution's cohort default rate, and permitting borrowing by less-than-halftime students could result in some institutions losing Title IV eligibility. In addition, changing Stafford eligibility to include borrowers enrolled less than halftime would, they anticipate, result in a large expansion in the number of students participating in the Stafford loan programs, increasing the administrative burden faced by campus financial aid offices. Furthermore, at some postsecondary institutions, policies on satisfactory academic progress may need to be revised in response to changing Stafford eligibility.

Administrators also noted potential disadvantages to less-than-halftime student borrowers. They expressed concern that Stafford borrowing by lower-income adults enrolled less than halftime—few of whom might have a certificate or degree and higher earnings as a result of their enrollment—might burden these students with unmanageable debt. Allowing less-than-halftime students to borrow in the Stafford loan programs, they noted, may also increase the number of students who reach their overall borrowing limits before the completion of a degree. Finally, they indicated, changing program eligibility may encourage protracted less-than-halftime enrollment as a means by which to postpone repayment. Students with outstanding subsidized Stafford loans must now enter repayment if they enroll for fewer than six credits. However, if students were permitted to defer repayment while enrolled for one to five credits, some might choose to enroll for a few credits each term as a way to delay repayment.

[24]Research on the characteristics of student loan defaulters indicates that current wages are inversely associated with the probability of default, while withdrawing from school is positively associated with the probability of default. Research findings are based on student borrowers who were enrolled halftime or more, and may not be applicable to a less-than-halftime borrowing population. See, for example, *Clearing Accounts: The Causes of Student Loan Default*, EdFund, 2002; *State of Student Aid in Texas*, TG Research and Analytical Services, April 2003.

Concluding Observations

There are a variety of formal learning opportunities open to adults, and a range of funding sources that support participation in them. Some sources of funding available to adult learners, particularly work-related assistance provided by employers or the Lifetime Learning tax credit, permit short-term study that does not lead to the completion of a degree or certificate. Both employers and employees may benefit as skills, productivity, and earnings increase. In contrast to these funding streams, the federal student assistance programs authorized under Title IV of the Higher Education Act provide assistance for adult learning that takes place in eligible postsecondary institutions, and is intended to result in the completion of a postsecondary credential: a certificate, associate's degree, or baccalaureate degree. The Higher Education Act's provisions concerning institutional eligibility help to ensure billions of dollars in federal student assistance is available only to those institutions that provide students with quality education or training worth the time, energy, and money that they—and the nation's taxpayers—invest.[25] Requiring that students enroll in—and make progress toward—a postsecondary credential ensures that the federal investment in Title IV programs is used to support learning that is broadly beneficial to the public, rather than students' recreational or leisure activities.

Some adults who begin postsecondary education on a less than halftime basis do not intend to complete a degree, and many others expect to do so, but are unable to continue to completion. If less than halftime adults who do not complete a credential nonetheless benefit from completing a few postsecondary courses,[26] then federal policy tools designed to support shorter-term and non-credential adult learning—such as tax incentives for employer-provided educational assistance and the Lifetime Learning tax credit—can better assist these learners than can Title IV programs. The potential costs—to the federal government, institutions, and students—of proposed changes to the Pell Grant and Stafford Loan programs, particularly the latter, may outweigh their potential benefits for less-than-halftime adult students. Permitting less-than-halftime students to

[25] *Higher Education: Ensuring Quality Education From Proprietary Institutions*, GAO/T-HEHS-96-158.

[26] There is not a consensus among those who study the economic returns to education or training whether the completion of a credential results in additional economic gains to students. See, for example, *Labor Market Returns to Two- and Four-Year College: Is a Credit Really a Credit and Do Degrees Matter?* Kane, T.J., and Rouse, C.E. (1993); *Credits and Attainment: Returns to Postsecondary Education Ten Years After High School*, NCES, 2001-168.

participate in the Stafford student loan programs would provide a new source of borrowing for these students, but it may be accompanied by unintended and unwanted consequences, including increasing the volume of loans at risk of default. Allowing less-than-halftime students to include room, board, and personal expenses in calculating their Pell Grant cost of attendance would most often assist less-than-halftime students who are currently receiving a Pell grant, providing them with an estimated $100 annual increase in assistance, rather than providing a widely available source of assistance to adults who are not currently receiving Pell Grants.

Agency Comments

In written comments on our draft report, Education stated that it appreciated our thorough review and examination of the financial, and other, impediments that are often unique to adult learners as they pursue postsecondary education and training opportunities and found useful the concerns raised by postsecondary institutions. In addition, Education noted that the report would complement a recent report of its own and that it would assist Education in achieving one of its departmental strategic goals. Education also provided technical comments, which we incorporated where appropriate. Education's written comments appear in appendix IV.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its date. At that time we will send copies to the Secretary of Education and other interested parties. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions or wish to discuss this material further, please call me at (202) 512-8403, or Jeff Appel at (202) 512-9915. Other contacts and staff acknowledgments are listed in appendix V.

Cornelia M. Ashby

Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

We were asked to determine: (1) the extent to which adults enroll less than halftime, the characteristics and factors associated with less-than-halftime enrollment, and the rates of completion among these students; (2) the extent to which adult students enrolled less than halftime receive federal, state, and other assistance to help them meet the costs of postsecondary education; and (3) the implications, including the budgetary impact, of changing the Pell Grant Program to allow room and board and miscellaneous personal expenses to be considered in the calculation of grant amounts for less-than-halftime students and changing the Stafford loan programs to permit participation by less-than-halftime students. For the purposes of this report, adult students are those who are 24 years or older.

In designing our study, we reviewed data and literature pertaining to financial aid for adult students and part-time students, and we analyzed focus group findings examining the barriers to enrollment and persistence faced by low-income adults. We interviewed officials at the Department of Education, researchers, and representatives of higher education organizations, such as the American Association of Community Colleges and the National Association of Student Financial Administrators; and we interviewed administrators of two institutions of higher education not included in our four sample states: the City University of New York and Kaplan College. We also reviewed studies and surveys of employer-provided educational assistance.

To determine the extent of less-than-halftime enrollment among adult students and the characteristics, completion rates, and financial support they received, we analyzed national data and visited selected postsecondary institutions. We analyzed two datasets created by the National Center for Education Statistics: the 1999-2000 National Postsecondary Student Aid Study (NPSAS), and the 2001 Beginning Postsecondary Students Study (BPS). Both datasets—NPSAS and BPS—contained a nationally representative sample of students enrolled at postsecondary institutions participating in federal student aid programs and provided information on financial assistance they received, hours they worked, and a wide range of other characteristics. We computed estimates of the Lifetime Learning credits received by less-than-halftime adult students using data from NPSAS. NPSAS data are collected at the individual student level, and cannot be aggregated into families or linked

to tax filing status. Therefore, our analysis treated individual students as if they were credit claimants and recipients.[1]

To assess the reliability of the NPSAS and BPS sample data, we reviewed existing information about the sample, including the documentation produced by NCES, and performed electronic testing of the required data elements to detect obvious problems in accuracy and completeness. We determined that the NPSAS and BPS data were sufficiently reliable for this report. Because both surveys are samples of a larger student population, there is some sampling error associated with them. Sampling errors are often represented as a 95-percent confidence interval: an interval that 95 times out of 100 will contain the true population value. The upper and lower bounds of the 95-percent confidence intervals for each estimate are presented in the tables in appendix II.

National datasets provide valuable but limited information. For example, NPSAS is a cross-sectional rather than longitudinal study, and it, therefore, cannot be used to identify the duration for which students enrolled on a less-than-halftime basis. Some student characteristics or factors that may be associated with less-than-halftime enrollment, such as course scheduling problems, are not contained in these datasets. Consequently, we augmented national datasets with information collected from postsecondary institutions.

We interviewed school administrators from 19 postsecondary institutions, including public and private schools and 2-year and 4-year institutions. These institutions were located in four states—California, Maryland, Ohio, and Virginia—in which the costs for resident tuition and fees at public 2-year institutions and the amount of available state aid varied.[2] For example, in California the cost for resident 2-year tuition was lower than for all other states ($330), but no state aid is available to students pursuing their postsecondary credentials on a less-than-halftime basis. Maryland ranked 9th among states in tuition and fees at public 2-year institutions ($2,564) and, like California, did not have state financial aid available to

[1]Additional details of the methodology are described in appendix I of U.S. General Accounting Office, *Student Aid and Tax Benefits: Better Research and Guidance Will Facilitate Comparison of Effectiveness and Student Use*, GAO-02-751, Washington, D.C.: Sept. 13, 2002.

[2]Two-year tuition and fees were selected because nearly three out of four less-than-halftime adult students are enrolled at public 2-year institutions.

less-than-halftime students. Both Virginia and Ohio had state aid available for less-than-halftime students; however, Virginia's 2-year tuition ($1,304) was lower than that of Ohio ($2,300).

Within each state, we contacted three to six institutions (see table 1). Because most less-than-halftime adult students are enrolled at 2-year public institutions, we visited more of this type than other postsecondary schools. In addition, we selected institutions with large proportions of adult students in their overall student body. We met with a range of school administrators at these institutions, including financial aid officers, student affairs officers, directors of institutional research, and other administrative officers. We discussed with them their less-than-halftime adult student population and the implications of changing the Pell Grant and Stafford Loan Programs. We also collected institutional data on spells on less than halftime enrollment among students graduating from 10 of the 19 we visited. We solicited information from each institutional research officer about the reliability of these data and reviewed the data for obvious problems of accuracy and completeness. Because these are not samples of a larger student population, there are no confidence intervals associated with them.

Table 6: Site Visit States and Institutions Contacted

State	Name (type)
California	City College of San Francisco, San Francisco (2-year public) Contra Costa College, San Pablo (2-year public) Holy Names College, Oakland (4-year private) Sierra College, Rocklin (2-year public) San Francisco State University, San Francisco (4-year public)
Maryland	Allegany College, Cumberland (2-year public) Baltimore City Community College, Baltimore (2-year public) Montgomery College, Rockville (2-year public)
Ohio	Capital University, Columbus (4-year private) Cleveland State University, Cleveland (4-year public) Columbus State Community College, Columbus (2-year public) Cuyahoga Community College, Highland Hills (2-year public) University of Akron Wayne College, Orrville (2- and 4-year public)
Virginia	Germanna Community College, Fredericksburg (2-year public) Northern Virginia Community College, Annandale (2-year public) Old Dominion University, Norfolk (4-year public) Tidewater Community College, Norfolk (2-year public) Applied Career Training, Arlington (Proprietary) Stratford University, Falls Church (Proprietary)

Source: GAO

Cost Estimation Methodology

Pell Grant Analysis

The following steps were taken to estimate the additional federal budget costs associated with permitting degree-seeking students enrolled less than halftime to include room, board, and miscellaneous personal expenses in calculating their cost of attendance (alternative COA) for the purpose of receiving a Pell Grant.

Using the 1999-2000 National Postsecondary Student Aid Study, we estimated a Pell Grant for all students in the sample who were less-than-halftime students seeking a certificate or undergraduate degree. We estimated Pell Grant awards under the current law, and under an alternative COA for the 1999-2000 school year. The estimated total federal costs under current law and the alternative COA were calculated by summing the estimated individual grants. The federal cost associated with changing the Pell Grant policy was calculated as the difference between the estimated federal cost under current law and the estimated federal

cost under the alternative COA. Federal costs for school year 1999-2000 were projected to school year 2003-04 by assuming that the ratio of these estimated federal costs to the total cost of the Pell grant program in school year 2003-04 were the same as in school year 1999-2000. To estimate the average Pell grant in school year 2003-04, we projected the estimated number of Pell grant recipients in school year 1999-2000 who are less than halftime students seeking a certificate or undergraduate degree to school year 2003-04. We did this by assuming that the proportion of this estimated number of recipients to the total number of recipients in school year 1999-2000 equals this proportion in school year 2003-04. The average Pell Grant in school year 2003-04 equals the estimated federal cost in school year 2003-04 divided by the estimated number of recipients in school year 2003-04. Federal costs other than the amounts of the Pell Grants were not considered in our analysis.

Our estimate of students' Pell Grant awards is based upon the federal needs analysis methodology for calculating the Pell Grant and the Regular Disbursement Schedule for Determining Less than Halftime Awards (FSA Handbook 1999-2000, Pell Reference).[5] If the student did not apply for financial aid, or the institution they attended did not have any Pell recipients in 1999-2000, we assumed that the student's estimated Pell Grant to be $0. The same steps were taken in estimating a student's Pell Grant under the alternative COA except that the Pell cost of attendance was estimated to include room and board and personal expenses. To receive a Pell Grant under the alternative COA, the individual must have applied for financial aid. Inherent in this assumption is that an alternative Pell cost of attendance will not affect students' decisions to apply for financial aid.

Stafford Loan Analysis

We undertook the following analysis to estimate the federal subsidy cost of allowing degree-seeking students who enroll less than halftime to be eligible for subsidized and unsubsidized Stafford loans.

Using the 1999-2000 National Postsecondary Student Aid Study, we estimated the Stafford subsidized and unsubsidized loans for all students in the sample who were less-than-halftime students seeking a certificate or undergraduate degree would receive if the law were changed to allow less than halftime students to receive these loans. The total loan volumes

[5]The estimated cost of attendance and the expected family contribution were rounded to the middle of the ranges reported in the *Disbursement Schedule*.

summed and weighted over all students by FFELP/FDLP, school type, and class year were projected from school year 1999-2000 to school year 2003-04 by assuming that the proportion of this estimated loan volume to the total loan volume in fiscal year 1999-2000 would equal the proportion of the estimated loan volume in school year 2003-04 to the total loan volume in FY 2003-04. The federal cost of this policy change equals the projected loan volume times the applicable subsidy rate in 2003-04, summed over FFELP/FDLP, school type, and class year.[4] Federal costs other than the subsidy costs of the loans were not considered.

To estimate the average loan awards in school year 2003-04, we projected the estimated number of Stafford subsidized and unsubsidized recipients in school year 1999-2000 who are less than halftime students seeking a certificate or undergraduate degree to school year 2003-04. We did this by assuming that the proportion of this estimated number of recipients to the total number of recipients in fiscal year 1999-2000 would equal the proportion of recipients in school year 2003-04 to the total number of recipients in fiscal year 2003-04. The average loan award in school year 2003-04 equals the estimated loan volume in school year 2003-04 divided by the estimated number of recipients in school year 2003-04.

Our estimate of students' subsidized loan awards is based upon the federal needs analysis methodology for subsidized Stafford loans. For each student we estimated a cost of attendance (minus room and board and personal expenses) for the period enrolled in school (loan COA). We calculated and prorated the expected family contribution for the number of months the student attended school. We also calculated each student's estimated financial assistance, adding federal, state, private, and institutional aid. The estimated subsidized loan award was calculated as the loan COA, minus the prorated expected family contribution and estimated financial assistance. Estimated subsidized loans, if above the loan limit level, were set at the maximum amount allowed by law. For the students attending institutions for which no Stafford loan recipients were reported, we assumed that estimated subsidized loan was $0.

[4]Subsidy rates represent the federal portion of non-administrative costs—principally interest subsidies and defaults—associated with each borrowed dollar over the life of the loan. Subsidy rates are estimated by Education for FFELP and FDLP by loan type (subsidized and unsubsidized), borrower characteristics (class year), and by institution attended (2 year, 4 year, and proprietary). While called "unsubsidized," the federal government can still incur costs on such loans, including costs associated with borrowers who default on their loans and, under the FFELP, costs of making certain interest subsidy payments to lenders.

For each student in the NPSAS sample, we also estimated an unsubsidized award. This amount was calculated as the prorated expected family contribution plus unmet need. Unmet need was estimated to be the loan COA, minus prorated expected family contribution and federal, state, private, and institutional aid. If the estimated unsubsidized award was greater than the loan limit minus the estimated subsidized award, we replaced the estimated unsubsidized award with the loan limit minus the estimated subsidized award. For the students attending institutions for which no Stafford loan recipients were reported, we assumed that estimated unsubsidized loans was $0.

All students were assumed to borrow the Stafford loan amounts for which they qualify. Inherent in this assumption is that all students who are eligible will apply for Stafford loans.

Education officials provided information on federal subsidy rates for Stafford loans, budget estimates for the Pell Grant program, and reviewed our estimation methodology.

Appendix II: Estimates and Associated Confidence Intervals

Tables 7-31 contain the sample-based estimates and associated confidence intervals for our reported results.

Table 7: Age of All Undergraduate Students, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
24 and older (adult)	42.87	42.17-43.58
23 and under (non-adult)	57.13	56.42-57.83

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 8: Age of All Adult Undergraduate Students, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
24-30	43.29	42.13-44.45
31-40	30.80	29.70-31.90
41 and older	25.91	24.86-26.97

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 9: Differences Between Students 18-23 and Adult Students (24 or older) 1999-2000

	Adult students	Lower and upper bounds of 95 percent confidence interval	Non-adult students	Lower and upper bounds of 95 percent confidence interval
Work fulltime	59.33	58.18-60.48	24.12	23.26-24.98
Married	49.68	48.51-50.86	4.53	4.14-4.94
Have dependents	54.96	53.76-56.15	7.87	7.33-8.43
GED/no diploma	9.36	8.66-10.09	3.60	3.21-4.02

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 10: Type of Institution Attended by Adult Students, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
Public 4-year	22.44	21.78-23.10
Private 4-year	10.33	9.90-10.75
Public 2 year	55.51	54.62-56.40
Private-for profit	6.47	6.18-6.77
Multiple institutions	5.26	4.90-5.64

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 11: Type of Degree Sought by Adult Undergraduates, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
Certificate	13.77	13.01-14.52
Associate	39.80	38.69-40.92
Bachelor	27.97	27.21-28.68
No degree	6.97	6.32-7.67
Transition	11.52	10.77-12.26

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 12: Amount of Assistance Received by All Adult Students, 1999-2000

	Total dollars	Lower and upper bounds of 95 percent confidence interval
Federal title IV grants	$3,320,761,399	$3,174,289,967-$3,467,232,830
Federal title IV loans	$8,526,918,039	$8,181,580,018-$8,872,256,059
Employer assistance	$1,280,758,192	$1,188,008,227-$1,373,508,157
State aid	$975,120,393	$900,963,408-$1,049,277,377
Institutional aid	$940,596,062	$855,535,763-$1,025,656,360
Veterans assistance	$1,036,349,868	$902,790,140-$1,169,909,595
WIA	$274,756,812	$221,029,425-$328,484,198

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 13: Enrollment Intensity among Adult Undergraduates, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
Less than halftime	33.16	32.01-34.30
Halftime	25.98	24.90-26.99
Fulltime	30.48	29.54-31.42
Mixed	9.90	9.22-10.60

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 14: Differences between Less Than Halftime, Halftime, and Fulltime Adult Students

	Less-than-halftime adult students	Lower and upper bounds of 95 percent confidence interval	One-half or three-quarter-time adult students	Lower and upper bounds of 95 percent confidence interval	Fulltime adult students	Lower and upper bounds of 95 percent confidence interval
Median age	37	36-38	32	31-32	28.00	28.00-29.00
Percent working fulltime	77.22	75.25-79.19	69.52	67.31-71.72	33.76	32.05-35.48
Median household income (dollars)	42,000	41,000-45,000	31,000	30,000-33,000	18,000	17,000-19,000
Percent married	57.42	55.12-59.72	50.23	47.86-52.61	42.10	40.33-43.86
Percent With dependent	57.34	54.98-59.69	56.95	54.55-59.34	52.04	50.21-53.86
Percent at 2-year institution	73.43	71.89-74.97	57.61	55.53-59.69	35.37	33.57-37.17

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 15: Type of Institution At Which Adult Students Enrolled, 1999-2000

	Less-than-halftime adult students	Lower and upper bounds of 95 percent confidence interval	Halftime adult students	Lower and upper bounds of 95 percent confidence interval	Full-time adult students	Lower and upper bounds of 95 percent confidence interval
Public 4-year	14.81	13.66-15.96	23.03	21.43-24.62	28.71	27.34-30.07
Private 4-year	7.24	6.47-8.07	10.38	9.36-11.46	13.36	12.45-14.26
Public 2 year	73.43	71.89-74.97	57.61	55.53-59.69	35.37	33.57-37.17
Private-for profit	1.01	0.80-1.26	3.37	2.89-3.90	16.09	15.18-17.01
Multiple institutions	3.51	2.95-4.14	5.62	4.88-6.44	6.47	5.81-7.19

Source: GAO calculations based upon NPSAS 1999-2000 data

Table 16: Estimated Costs for Less Than Halftime Adult Students, 1999-2000

	Total dollars (mean)	Lower and upper bounds of 95 percent confidence interval
Total costs	$1058.47	$997.02-$1119.93
Tuition	$480.19	$455.74-$504.65
Books	$225.17	$208.41-$241.92
Other	$227.10	$198.20-$256.01
Child care	$147.90	$107.80-$188.01
Transportation	$885.43	$757.37-$1013.49

Source: GAO calculations based upon NPSAS 1999-2000 data

Table 17: Percent of Costs Covered by All Sources of Assistance, 1999-2000

	Percent of costs covered by assistance, all sources	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	42.93	28.66-57.20
Above 150 percent of the poverty guideline	43.04	37.57-48.51

Source: GAO calculations based upon NPSAS 1999-2000 data

Table 18: Mean Assistance Received by Less Than Halftime Students, 1999-2000

	Mean amount	Lower and upper bounds of 95 percent confidence interval
Total aid	**$462.12**	**$411.53-512.71**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 19: Mean Amount of Assistance Received by Less Than Halftime Students, By Source, 1999-2000

	Mean Amount	Lower and upper bounds of 95 percent confidence interval
Pell	$465.01	$433.45-496.58
State aid	$474.72	$330.01-619.43
Employer aid	$784.09	$695.50-872.68
Lifetime Learning tax credit	$73.79	$67.97-79.61
Institutional aid	$631.77	$478.45-785.10
Other Aid	$1251.83	$802.00-1701.66

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 20: Type of Aid Received by Less Than Halftime Students, 1999-2000

	Percent	Lower and upper bounds of 95 percent confidence interval
Pell	3.20	2.49-4.04
State aid	1.73	1.13-2.54
Employer aid	23.08	21.20-24.95
Lifetime Learning tax credit	46.45	44.13-48.77
Institutional aid	3.67	2.86-4.64
Vocational aid	0.37	0.13-0.84
Other aid	5.06	4.08-6.20

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 21: Percent Receiving Pell Grants, by Income, 1999-2000

	Percent Received Pell Grant	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	13.74	9.94-18.32
Above 150 percent of the poverty guideline	1.41	0.81-2.27
Total	**3.20**	**2.49-4.04**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 22: Percent Receiving State Aid, by Income, 1999-2000

	Percent received state aid	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	4.27	0.00-43.07
Above 150 percent of the poverty guideline	1.30	0.72-2.16
Total	**1.73**	**1.13-2.54**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 23: Percent Receiving Employer Aid, by Income, 1999-2000

	Percent received employer aid	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	9.43	0.04-53.11
Above 150 percent of the poverty guideline	25.40	23.30-27.49
Total	**23.08**	**21.20-24.95**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 24: Percent Receiving Lifetime Learning Tax Credit, By Income, 1999-2000

	Percent received Lifetime Learning tax credit	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	29.38	22.74-36.72
Above 150 percent of the poverty guideline	49.35	46.85-51.86
Total	**46.45**	**44.13-48.77**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 25: Percent Receiving Institutional Aid, by Income, 1999-2000

	Percent received institutional aid	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	7.11	0.00-51.59
Above 150 percent of the poverty guideline	3.09	2.30-4.05
Total	**3.67**	**2.86-4.64**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 26: Percent Receiving Other Aid, by Income, 1999-2000

	Percent received other aid	Lower and upper bounds of 95 percent confidence interval
At or below 150 percent of the poverty guideline	6.03	1.70-14.61
Above 150 percent of the poverty guideline	4.90	3.83-6.16
Total	**5.06**	**4.08-6.20**

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 27: Percent of Less Than Halftime Adults below 150 Percent of 1998 Federal Poverty Guideline, 1999-2000

	Percent at or below 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval	Percent above 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval
Less-than-halftime adults	14.52	12.90-16.26	85.48	83.84-87.12

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 28: Type of Aid Received by Less Than Halftime Students, by Income, 1999-2000

	Percent at or below 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval	Percent above 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval
Pell	13.74	9.94-18.32	1.41	0.81-2.27
State aid	4.27	0.00-43.07	1.30	0.72-2.16
Employer aid	9.43	0.04-53.11	25.40	23.30-27.49
Lifetime Learning tax credit	29.38	22.74-36.72	49.35	46.85-51.86
Institutional aid	7.11	0.00-51.59	3.09	2.30-4.05
Other aid	6.03	1.70-14.61	4.90	3.83-6.16

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 29: Average Costs and Amount of Aid Received by Less Than Half-time Students, by Income, 1999-2000

	Amount for students at or below 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval	Amount for students above 150 percent of the poverty guideline	Lower and upper bounds of 95 percent confidence interval
Average costs	$1120.84	$940.32-$1301.37	$1047.88	$982.68-$1113.08
Total Aid	$478.32	$336.31-$620.33	$459.90	$405.72-$514.08
Pell	$471.97	$428.69-$515.24	$453.49	$409.99-$497.00
State aid	$582.93	$262.14-$903.72	$414.40	$285.94-$542.85
Employer assistance	$789.82	$185.48-$1394.16	$783.73	$697.51-$869.95
Lifetime Learning tax credit	$67.99	$51.91-$84.06	$74.38	$68.16-$80.60
Institutional aid	$336.53	$193.93-$479.14	$747.19	$546.71-$947.66

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 30: Grade Point Average of Adult Undergraduates, 1999-2000

	Percent with GPA of C or lower	Lower and upper bounds of 95 percent confidence interval
Less-Than-Halftime Adult	17.11	15.37-18.97
All Other adult Students	10.22	9.41-11.04

Source: GAO calculations based upon NPSAS 1999-2000 data.

Table 31: Degree Or Certificate Expectation Among Adults Who Enrolled Less Than Halftime During First Year

	Percent	Lower and upper bounds of 95 percent confidence interval
Expect to earn certificate or degree	75.25	66.23-84.27
Do not expect to earn certificate or degree	24.75	15.73-33.77

Source: GAO calculations based upon BPS 2001 data.

Table 32: National 6-Year Completion Rate Among Adult Undergraduates With A Degree Or Certificate Expectation

	Percent who did not receive a degree or certificate and are no longer enrolled	Lower and upper bounds of 95 percent confidence interval
Enrolled in first year as less-than-halftime student	66.39	54.77-78.01

Source: GAO calculations based upon BPS 2001 data.

Table 33: Household Income Distribution of Adult Students, 1999-2000

	Less Than Halftime		Halftime or More	
	Percent	Lower and upper bounds of 95 percent confidence interval	Percent	Lower and upper bounds of 95 percent confidence interval
$0-9,999	6.78	5.61-8.10	20.4	19.36-21.44
$10-$19,999	10.69	9.27-12.26	22.68	21.54-23.82
$20-$29,999	15.09	13.41-16.89	17.86	16.80-18.92
$30-$39,999	15.93	14.22-17.76	11.48	10.60-12.36
$40-$49,999	11.13	9.70-12.68	8.2	7.44-8.96
$50-$59,999	11.13	9.72-12.68	5.59	4.96-6.22
$60-$69,999	9.29	7.96-10.76	4.57	4.02-5.12
$70-$79,999	5.90	4.79-7.16	3.28	2.79-3.77
$80,000 and above	14.07	12.52-15.73	5.95	5.30-6.60

Source: GAO calculations based upon NPSAS 1999-2000 data.

Appendix III: Budgetary Impact of Possible Behavioral Response to Cost of Attendance Changes in the Pell Program

The policy change in the Pell Grant Program we considered was changing the cost of attendance calculation for less-than-halftime students so that it does not exclude room, board and personal expenses. This policy change would increase the number of people who are qualified to receive an award, and it would increase the size of the award for those who are already qualified to receive an award under current law.

This policy change may cause people to change their postsecondary enrollment behavior. Specifically, some people who are not enrolled in postsecondary education may choose to enroll less than halftime in response to the policy change. Students who are already enrolled less than halftime in postsecondary education are unlikely to change their enrollment in response to the policy change.

As Seftor and Turner[1] note, there is no consensus within the economic literature on the effect of Pell Grants on enrollment. For example, Hansen[2] and Kane[3] found that Pell Grants have no effect on enrollment. However, they found that Pell Grant Program does affect the enrollment behavior of older, nontraditional students. Since the policy changes we consider are specific to less-than-halftime students and over 80 percent of less-than-halftime students are independents, the Seftor and Turner findings appear to be more applicable to this analysis. Seftor and Turner estimated price elasticities that fall in the range of –0.34 to -0.14.

To estimate the possible behavioral response to a change in Pell Grant policy, we applied a price elasticity in the middle of those identified by Seftor and Turner (–0.24) to the less than halftime Pell award amounts estimated in this study.[4] We assumed that changes to the Pell Grant cost of attendance methodology, if adopted, would be applied to the cost of attendance for both dependent and independent students enrolled on a

[1]Neil S. Seftor and Sarah E. Turner, "Back to School: Federal Student Aid Policy and Adult College Enrollment." *The Journal of Human Resources 37* (2002): 336-352.

[2]W. Lee Hansen, "Impact of Student Financial Aid Access." In *The Crisis in Higher Education*, ed. Joseph Fromkin, 1983. New York: Academy of Sciences.

[3]Thomas J. Kane, "College Entry by Blacks Since 1970: The Role of College Costs, Family Background, and the Returns to Education." *Journal of Political Economy, 102(5)*, 1994; "Rising Public College Tuition and College Entry: How Well Do Public Subsidies Promote Access to College?" *NBER Working Paper 5164*, 1995.

[4]A price elasticity of –0.24 implies that a 1% decrease in college costs would increase enrollment by 0.24%

less than halftime basis. Therefore, in calculating the possible behavioral response we applied these estimated Pell Grant awards and price elasticities to the population of all persons 18-35 who were not enrolled in school and who had not earned a postsecondary credential.[5] On this basis, we estimate that the Pell Grant policy change will cause about 35,000 people between the ages of 18 and 35 who are not currently enrolled in school and who do not currently have an undergraduate degree to enroll less than halftime. This conclusion was reached based upon the following calculations:

- We found that the Pell Grant policy change would increase the average Pell Grant award from $0 to $630 for 0.63 percent (12,679/2,007,542) of the less-than-halftime student population, increase the average Pell Grant award $111 for 7.46 percent (149,731/2,007,542) of the less-than-halftime student population, and have no effect on the Pell Grant award for the rest of the student population.

- Of the 33 million people aged 18-35 who are not enrolled in school and without a undergraduate degree, we assumed that only 18 percent of them would consider going to school less than halftime: the same proportion of the undergraduate population currently enrolled on a less than halftime basis. This is the population who may change their enrollment behavior because of the policy change.

- Of that population, we assumed that 0.63 percent of them would have an increase in their Pell Grant award of $630 and 7.5 percent of them would have an increase in their Pell Grant award of $111.

- Using the average cost of school when attending less than halftime of $500,[6] this suggests that there would be an additional 35,053 people ([33,000,000 x 0.18 x 0.0063 x 630/500 x 0.24] + [33,000,000 x 0.18 x 0.075 x 111/500 x 0.24]) enrolling in school less than halftime in response to the policy change.

[5]Estimates of the size of this population were obtained from the National Household Education Surveys Program, *Adult Education and Lifelong Learning Survey*, 2001. Adults older than 35 were not included in the population, since they were assumed to be significantly less likely to enroll in response to changes in grant assistance.

[6]To be consistent with the Turner and Seftor methodology, we assumed that students attended 4-year colleges, and we included only tuition and fees in the definition of cost.

- This enrollment response would cost the federal government $9,764,063 ([33,000,000 x 0.18 x 0.0063 x 630/500 x 0.24] x $630+ [33,000,000 x 0.18 x 0.075 x 111/500 x 0.24] x $111).

Appendix IV: Comments from the Department of Education

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

September 8, 2003

THE ASSISTANT SECRETARY

Ms. Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues
United States General Accounting Office
Washington, DC 20548

Dear Ms. Ashby:

Secretary Paige has asked me to respond to your request for comments on the General Accounting Office (GAO) draft report, "Federal Student Aid: Expanding Eligibility for Less Than Halftime Students Could Increase Program Costs, But Benefits Uncertain" (GAO-03-905). This report was transmitted to the Department of Education by your letter of August 27, 2003.

Thank you for the opportunity to review this draft report. My staff had previously shared our technical comments with your office.

Your report will complement the Department's publication, "Work First, Study Second: Adult Undergraduates Who Combine Employment and Postsecondary Enrollment," recently issued by the National Center for Education Statistics. It will also assist us in developing effective means to achieve the Department's strategic goal of enhancing the quality of and access to postsecondary and adult education.

We appreciate your thorough review and examination of the financial, and other, impediments that are often unique to adult learners as they pursue postsecondary education and training opportunities. We especially found useful the concerns raised by institutions of postsecondary education with respect to potential cohort default rate consequences resulting from extending student loan program eligibility to less than halftime students.

If you or your staff have any questions, please do not hesitate to contact my office.

Sincerely,

Sally L. Stroup

1990 K STREET, N.W. WASHINGTON, D.C. 20006

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Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

In addition to those named above, the following people made significant contributions to this report: Cedric Burton, Betty Clark, Cindy Decker, Gordon Mermin, John Mingus, Susan Conlon, and Corrina Nicolaou.

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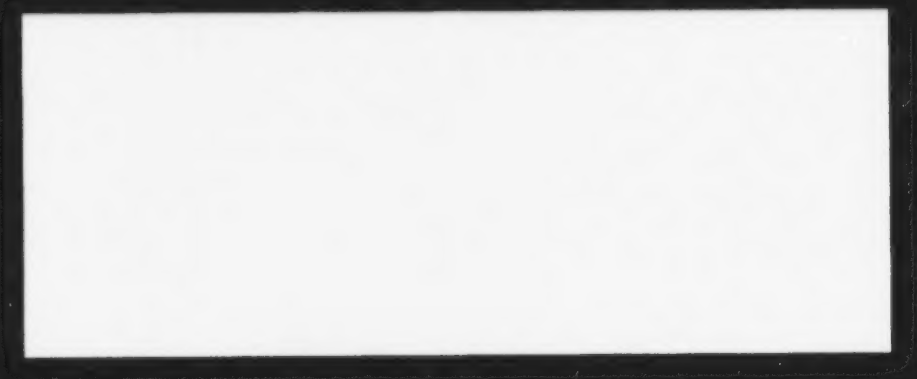

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